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NOMINATION OF CHARLES D. BAKER

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

ON

NOMINATION OF CHARLES D. BAKER TO BE UNDER SECRETARY OF HEALTH AND HUMAN SERVICES

AUGUST 7, 1984

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CONTENTS

Page

NOMINEE

Baker, Charles D 1

ADDITIONAL INFORMATION

Committee press release 1
Opening statement of Senator Dole 1
Letter from Secretary of Transportation Elizabeth Hanford Dole 4
Prepared statement and resume of Charles D. Baker 5
Letter from John F. Scruggs, Assistant Secretary for Legislation of the Department of Health & Human Services 12

NOMINATION OF CHARLES D. BAKER FOR UNDER SECRETARY OF HEALTH AND HUMAN SERVICES

TUESDAY, AUGUST 7, 1984

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The committee met, pursuant to notice, at 9:50 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Robert J. Dole (chairman) presiding.

Present: Senators Dole, Roth, and Durenberger.

[The press release announcing the hearing and the opening statement of Senator Bob Dole follow:]

[Press Release No. 84-163]

FINANCE COMMITTEE SETS HEARING ON NOMINATION OF CHARLES D. BAKER

Senator Robert J. Dole (R., KS), Chairman of the Committee on Finance, announced today that the Committee would conduct a hearing and then meet in executive session on Tuesday, August 7, 1984, on the nomination by President Reagan of Charles D. Baker to be Under Secretary of Health and Human Services.

The hearing will commence at 9:45 a.m. in Room SD-215 of the Dirksen Senate Office Building.

Since 1971, Mr. Baker, of Massachusetts, has been with Harbridge House, a management consulting firm in Boston, serving as President and Director in 1971, Chairman and Director in 1974, and Vice Chairman, Director since 1983. From 1969 to 1971 Mr. Baker was Deputy Under Secretary and later Assistant Secretary, Policy and International Affairs for the U.S. Department of Transportation. After serving with the U.S. Navy following World War II and during the Korean War, Mr. Baker was with Westinghouse Electric Corporation and United Research, Inc. until he first joined Harbridge House in 1965 as Vice President. Mr. Baker graduated from Harvard College and received his MBA from Harvard Business School.

STATEMENT OF SENATOR DOLE ON NOMINATION OF CHARLES D. BAKER TO BE UNDER SECRETARY OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES

I welcome today our nominee, his family, and friends. I am pleased the committee has before it such a well qualified candidate who has been nominated for one of the more critical positions at the Department of Health and Human Services.

For the record, we have reviewed the financial disclosure forms of the nominee, and the materiasl he has filed with the office of ethics. I am satisfied that there are no problems in this area.

Also, I have received letters from the director of Government Ethics approving the nominee's compliance with the Ethics in Government Act. The letter will be made a part of the record.

Mr. Baker has been nominated to be Under Secretary of the Department of Health and Human Services. Mr. Baker has had a longstanding relationship with Harbridge House, a large management consulting firm which has had some experience with the Department of Health and Human Services among many other clients. Most recently, Mr. Baker served as vice chairman and director of Harbridge

House, Inc. Prior to that time he held the following successive positions with the firm: vice president, president, and chairman.

Though with Harbridge House for some time, Mr. Baker is no stranger to the public sector having served as the assistrant secretary for policy and international affairs and as the Deputy Under Secretary, U.S. Department of Transportation.

Mr. Baker brings with him practical experience and knowledge of the management requirements of large organizations. The Department of Health and Human Services will certainly benefit from his expertise.

Mr. Baker received his A.B. from Harvard College and his M.B.A. from the Harvard Business School.

Mr. Baker, we welcome you to the committee. Would you like to make a statement at this time?

The CHAIRMAN. Our first order of business is the nomination of Charles D. Baker to be Under Secretary of the Department of Health and Human Services.

Mr. Baker, if you will take a seat there. There is a lot of interest in this nomination. [Laughter.]

I would first like to put in the record a statement from the Secretary of Transportation in strong support of your nomination, and I would ask that that be made a part of the record. First I want to look at it. Just a minute, please.

It is a statement in support of Mr. Baker, so Elizabeth wants me to put it in the record. Do you have a copy of it? I will see that you get a copy of it.

Let me welcome our nominee, his family and friends. And I am pleased that the committee has before it such a well-qualified candidate who has been nominated for one of the more critical positions in the Department of Health and Human Services.

I would just say for the record that we have reviewed the financial disclosure forms of the nominee, and the material he has filed with the Office of Ethics and I am satisfied that there are no problems in this area. Also, I have received letters from the Director of Government Ethics approving the nominee's compliance with the Ethics in Government Act, and that will be made part of the record.

Mr. Baker has been nominated to be Under Secretary of the Department of Health and Human Services. He has a longstanding relationship with Harbridge House Inc., a large management consulting firm, which has had some experience with the Department of Health and Human Services among many other clients. Most recently, Mr. Baker served as vice chairman and director of Harbridge House Inc. Prior to that time he held the following successive positions with the firm: vice president and president and chairman.

Though with Harbridge House Inc. for some time, Mr. Baker is no stranger to the public sector, having served as the Assistant Secretary for Policy and International Affairs and as a Deputy Under Secretary of the U.S. Department of Transportation. We are pleased that you are here and you bring with you practical experience and knowledge in the management requirements of large organizations. He received his A.B. from Harvard College and his M.B.A. from the Harvard Business School.

I certainly want to welcome you to the committee at this time, and if you have any statement for the record, I would be happy to hear that.

Senator Durenberger, do you wish to make a statement first?

Senator DURENBERGER. Just very briefly, Mr. Chairman.

I am pleased that we are having an opportunity to fill this position. I have had an opportunity to meet Mr. Baker and to talk to the Secretary about why he thought he would be an important asset in this job. I notice that he has had the good judgment to marry a lady from Rochester, MN, and almost by coincidence, they have raised three sons. I have done them one better, and I just came back from 4 days of fishing with them.

Mr. Chairman, sometimes I think we tend to underrate the value of this position and the difficulty of it. And I find in Mr. Baker's background that his experience both in the public and private sectors a very valuable and important asset to the administration of all the programs that we have jurisdiction over.

The CHAIRMAN. Mr. Baker.

[The letter from the Secretary of Transportation follows:]

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

AUG 7 1984

The Honorable Robert Dole
Chairman
Committee on Finance
United States Senate
Washington, D.C. 20515

Dear Mr. Chairman:

On Tuesday, August 7, 1984, your committee will hold a hearing on President Reagan's nomination of Mr. Charles D. Baker to be the Deputy Secretary of the Department of Health and Human Services. I would like to comment on the nomination and request that this letter be incorporated into the transcript of the hearing.

It is with a great deal of pleasure and pride that I write in support of the nomination of Mr. Charles D. Baker. Mr. Baker is an honored alumnus of the United States Department of Transportation. He served this Department as Deputy Under Secretary in 1969 and as Assistant Secretary for Policy and International Affairs between 1970 and 1971. During Mr. Baker's years at the Department of Transportation, he played a key role in the important policy development process that led to public laws which gave birth to the Amtrak system, the restructure and revitalization of seven bankrupt railroads in the northeast and the midwest and put the finishing touches on what was and continues to be the greatest commercial aviation system in the world.

More recently in his role as Vice Chairman of Harbridge House, Inc., in Cambridge, Massachusetts, Mr. Baker has served our national transportation system well by fostering and promoting expert private sector guidance to this Department and the transportation regulatory agencies. As a naval aviator he is acutely aware of many of the complex issues facing the future of our commercial aviation industry. In his present position at Harbridge House, he has made significant contributions to our continuing effort to ensure that our commercial aviation system is the safest, most efficient and economical in the world.

Mr. Baker's leadership and guidance as the chairman of the Military Airlift Committee has provided expert guidance to the Departments of Defense and Transportation on the future of the CRAF Program which is designed to equip commercial aircraft with national defense features.

Mr. Baker's involvement with the New England Deaconess Hospital, U. S. Commission on Civil Rights, Big Brothers Association of Boston, and his work with the Congregational Church of Needham, Massachusetts, are manifestations of his personal commitment to help those in need and less fortunate than ourselves. It is with a great deal of pride I commend Mr. Baker to your committee for its highest consideration. I know him personally and can attest to the fact that his strength, courage, dedication, and impeccable credentials will certainly be an asset to carry out the vital programs at the Department of Health and Human Services which touch the lives of so many of our citizens.

Thank you for the opportunity to present my views before your committee.

Very truly yours,

Elizabeth

Elizabeth Hanford Dole

STATEMENT OF CHARLES D. BAKER, NOMINEE FOR UNDER SECRETARY OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES

Mr. BAKER. Mr. Chairman, members of the committee, I would like to read a brief statement.

I am certainly pleased and honored to be before your committee today. The Department of Health and Human Services is arguably as important, if not more important, than any department in the executive branch. The opportunity to serve as Under Secretary is a challenge and a responsibility which I muchly look forward to.

[The prepared statement and résumé of Charles D. Baker follow:]

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STATEMENT OF CHARLES D. BAKER
SENATE FINANCE COMMITTEE
August 7, 1984

Mr. Chairman and Members of the Committee:

I am pleased and honored to appear before your Committee today. The Department of Health and Human Services is equally as important, if not more important, then any Department in the Executive Branch. The opportunity to serve as Under Secretary is a challenge and a responsibility which I muchly look forward to.

The Committee is of course intimately familiar with the Department and the range of its programs, in many ways unmatched by any other agency. Public resources involved in the programs goes similarly unrivalled.

As the Committee knows from materials earlier submitted, I had the privilege of working in the government for three years, 1969 to 1971, first as Deputy Under Secretary and later Assistant Secretary for Policy and International Affairs at the Department of Transportation. This experience, I believe, will serve me in good stead at HHS.

Beyond that, I have worked in a professional capacity with and for a series of large organizations in both the Private and Public Sector. The latter has involved several Federal agencies including HHS/HEW, DoD and DOT. This exposure too, I believe, will be of major value in the role of Under Secretary.

The impact of HHS on the lives of all Americans is clear, be it when citizens receive their social security checks, visit their local community health centers, adopt a special needs child, ... or learn of medical breakthroughs at NIH.

Secretary Heckler has established an impressive record in carrying out the President's health and human services initiatives, in formulating the policy to implement those initiatives, and in managing that large operation known as HHS. I believe my exposure, both within the public and private sectors, will prove an effective complement to the Secretary's efforts.

I do not underestimate the magnitude of this task. HHS holds forth the challenge and the opportunity for me to once again serve. For this I am indeed most grateful and I pledge to you my earnest desire to fulfill that mission in a responsible and forthright manner.

CHARLES D. BAKER - D.O.B.: June 21, 1928

- **EMPLOYMENT HISTORY**

Harbridge House, Inc. (11 Arlington St., Boston, Mass. 02116)

A large management consulting firm, founded in 1950, with principal offices in Boston, New York, Washington, Chicago, and London. Several other project office locations. Client base: 60 percent private sector, 40 percent public sector, including U.S. Department of Defense, U.S. Department of Health and Human Services/Health, Education and Welfare, and U.S. Department of Transportation.

Vice Chairman, Director	1983-
Chairman, Director	1974-1983
President, Director	1971-1974
Vice President	1965-1969

U.S. Department of Transportation

Assistant Secretary, Policy and International Affairs	1970-1971
Deputy Under Secretary	1969

United Research, Inc.

Vice President	1961-1965

Westinghouse Electric Corp.

Various Supervisory	1955-1961

- **MILITARY SERVICE**

U.S. Navy (Aviation) - Lt.(j.g.), AL 3/C 1946-48, 1951-53

- **EDUCATION**

Harvard Business School	MBA 1955
Harvard College	AB 1949(51)
Baldwin, N.Y. High School	1945

- **RESIDENCE**

Massachusetts	1971-	New York	1955-57
Maryland	1969-71	Massachusetts	1950-55
Massachusetts	1961-69	New York	1928-50
New Jersey	1957-61		

- **PERSONAL**

Married Elizabeth (Betty) Ghormley, Rochester, Minn. June 4, 1955
Three sons - Ages 27, 25, 23

Residence 115 Marmion Way, Rockport, Mass. 01966 (617-546-2263)

Phones: c/o U.S. HHS - 202-245-7431
c/o Harbridge House, Inc. - 617-267-6420

Mr. BAKER. The committee is, of course, intimately familiar with the Department and the range of its programs, in many ways unmatched by any other agency. Public resources involved in the programs go similarly unrivaled.

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Beyond that, I have worked in a professional capacity with and for a series of large organizations in both the private and public sector. The latter has involved several Federal agencies, including HHS, HEW, DOD, and DOT. This exposure, too, I believe, will be of major value in the role as Under Secretary. The impact of HHS on the lives of all Americans is clear, be it when citizens receive their Social Security checks, visit their local community health centers, adopt a special needs child, or learn of medical breakthroughs at NIH.

Secretary Heckler has established an impressive record in carrying out the President's health and human services initiatives, in formulating the policy to implement those initiatives, and in managing that large operation known as HHS. I believe my exposure, both within the public and private sectors, will prove an effective complement to the Secretary's efforts.

I do not underestimate the magnitude of this task. HHS holds forth the challenge and the opportunity for me to once again serve. For this I am indeed most grateful and I pledge to you my earnest desire to fulfill that mission in a responsible and forthright manner.

I would indeed be pleased, Mr. Chairman, to answer any questions the committee might have.

The CHAIRMAN. I assume you have had a chance to discuss your financial matters with the counsel of our committee, Rod DeArment.

Mr. BAKER. Yes, Mr. Chairman, I have.

The CHAIRMAN. Is there any reason you know of that you would not be able to serve in the capacity for which you have been nominated?

Mr. BAKER. None whatsoever.

The CHAIRMAN. There are no conflicts that you are aware of?

Mr. BAKER. No.

The CHAIRMAN. Have you had a chance to discuss this position and any questions that might be posed by Mr. Stern, who is counsel for Senator Long?

Mr. BAKER. I have indeed, sir.

The CHAIRMAN. Let me also just ask a couple of questions. There continue to be a number of important positions which remain vacant at HHS. To what extent will you be involved in seeking out individuals to fill these positions, and do you expect much progress yet this year? Or before the election, I guess, is better.

Why can't they fill some of these positions? What is the holdup?

Mr. BAKER. I believe, Mr. Chairman, of the 16 Presidential appointees allocated to the Department, there are at present four va-

cancies, including this one. I certainly would expect, based upon discussions I have had with Secretary Heckler, that we would be actively working to fill as many of those as possible and as fast as possible.

How many of those we will succeed in doing before November 6, I really can't say, but there is certainly an active search going on for those vacant positions at this time.

The CHAIRMAN. I know it is difficult to define anyone's job responsibility, particularly in something as large as HHS, but can you give us some idea how you perceive your role as it relates to the Secretary and to the Congress.

Mr. BAKER. I think, Mr. Chairman, as a general proposition, the role of any Deputy or Under Secretary in the last analysis has got to be in terms what the Secretary wants it to be. However, the Secretary and I—as I am sure you have assumed—have discussed this at rather some length, and I think it is clear that the Secretary expects me to exercise a major administrative and operational role within the Department, but also to support her and be involved with her in the formulation of particular policy issues.

As a result, I certainly would anticipate that I would be working in a policy sense in relationship to the Congress on her behalf and in support of her initiatives.

The CHAIRMAN. Do you have any idea—as per change in mind—as you approach this new responsibility—have you got anything in mind that you might want to tell the committee?

Mr. BAKER. There certainly have been a number of organizational suggestions made, Mr. Chairman, with regard to the Department, but certainly at this point in time, I do not see any of them as being of immediate direction and concern. So, I guess the answer to your question at this point is that the organizational structure in place in the general sense appears to be the logical and desirable one for the Department.

The CHAIRMAN. I have some additional questions that relate to the Social Security Administration and the management of the administration. I might submit those in writing if it is all right. We do have another hearing scheduled at 10, and I want to try to start that on time because there are a number of witnesses.

Senator Durenberger, do you have questions?

Senator DURENBERGER. No.

The CHAIRMAN. Senator Roth.

Senator ROTH. No.

The CHAIRMAN. Anything else, Rod?

[No response.]

The CHAIRMAN. If there are other questions that other members have on either side, we may want to submit those in writing. It is our hope that we can move on this nomination before the week is out, so if you can respond to the questions very quickly—like today or early tomorrow morning—it would be helpful.

Is there any member of your family here that you would like to introduce for the record?

Mr. BAKER. I would be pleased indeed to, Senator. Unfortunately, my wife is recovering from a skiing accident, and therefore is not here. And my three sons, I am delighted to report, are all gainfully employed. [Laughter.]

The CHAIR'IAN. Anything else anyone can think of?

[No response.]

Tne CHAIRMAN. All right. Thank you very much, Charlie.

Mr. BAKER. Mr. Chairman and members of the committee, thank you very much.

[Whereupon, at 10:03 a.m., the hearing was adjourned.]

[Letter from John F. Scruggs to Senator Dole follows:]

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

Washington, D.C. 20201

August 7, 1984

The Honorable Robert Dole
Chairman
Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Enclosed are the responses of Charles D. Baker to the questions you submitted for the hearing record on his nomination as Under Secretary of Health and Human Services.

We appreciate your continued interest in this matter and hope you will call on us if you have further questions.

Sincerely,

John F. Scruggs
Assistant Secretary
for Legislation

Enclosures

Senator Dole: One of the most difficult problems faced by the Social Security Administration is the management of its data system. Concerns over the apparent age and lack of capability of this system are not a new subject. To what extent will you be involved in working with SSA as they move into a self-proclaimed systems upgrading mode?

Do you have any specific suggestions as to how you would address the data systems needs of the Social Security Administration?

Mr. Baker: In answer to your first question, Mr. Chairman, the Secretary and I have explicitly discussed this matter, following which I met with Social Security Commissioner McSteen. I have also been briefed on this issue by Commissioner McSteen's staff. The whole Systems Modernization Plan will clearly be an area in which I will have direct interest.

In addressing SSA's data system needs, of critical import is that the system being developed be in the context of SSA's long-range plans and long-range planning --something that the Commissioner and I intend to insure.

The systems modernization program we envision would include the following components:

* a technically-advanced system designed to provide improved service to the public;
* an advanced communications network through which systems users are provided immediate access to on-line information;

* an exceptionally-reliable data processing environment that is secure and auditable; and
* an organization and management structure which is geared to controlling complex systems and which can respond more quickly to changes in the law.

Senator Dole: One of the single most important components of the Department of HHS is the Social Security Administration. Over the years a great many questions have been raised regarding the management of this aspect of HHS. Most recently, a GAO report on SSA's data communications contracts with Paradyne Corporation was released which contains specific recommendations to the Secretary.

Have you had an opportunity to review these recommendations? Do you have any comment?

Mr. Baker: I am aware of the General Accounting Office report, which I have briefly looked at. The Paradyne issue specifically is a matter that was brought to my attention in July.

I am not in a position to comment at this point on the G.A.O. recommendation, but as implied in my comments earlier, I am --and will be --concerned about both procurement generally and the successful execution of the Systems Modernization Plan at the Social Security Administration.

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